

Attorney General Becerra Announces Arrest, Charges Against Five Individuals for Student Loan Scam and Related Security and Computer Crimes

1. Press Release

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Wednesday, March 4, 2020

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SACRAMENTO – California Attorney General Xavier Becerra today announced the arrest of and criminal charges against several individuals for their roles in perpetrating a student loan assistance scam and related computer and securities crimes through their now-defunct company Student Loan Relief Department. The criminal complaint alleges that the charged individuals illegally created and accessed account records in the U.S. Department of Education's (ED) computer systems without authorization and bilked student borrowers out of funds. The charged individuals are also accused of lying about the company's business model to investors and illegally accepting investments. The complaint, filed in Los Angeles County Superior Court, issued charges against the following defendants:

- Bradley Kyle Hansen, of Redondo Beach, CA, charged with grand theft, the purchase or sale of unlawful securities, unauthorized computer access, and altering computer information;
- Christopher Edward Lyell, of Redondo Beach, CA, charged with grand theft, the purchase or sale of unlawful securities, unauthorized computer access, and altering computer information;
- Hoke Masami Nagahori, of Manhattan Beach, CA, charged with grand theft and the purchase or sale of unlawful securities;
- Kevin Howard Rathburn, of Lawndale, CA, charged with unauthorized computer access and altering computer information; and

- Paul Michael Rehmar, of Redondo Beach, CA, charged with grand theft.

“Our country is in the middle of a student loan debt crisis with more than \$1.7 trillion owed in outstanding federal student loans. The last thing consumers should have to worry about are criminals looking to make a quick buck off of student borrowers,” **said Attorney General Becerra**. “I urge student loan borrowers to safeguard their online student loan records and to notify our office if they are approached by anyone looking to access that account information.”

Student Loan Relief Department, the now-defunct company at the center of the scam, preyed on student borrowers struggling to repay their student loans. The defendants masqueraded their company as a legitimate source of help and feigned association with ED in order to gain the trust of distressed student loan borrowers and access their personal information. The company presented itself as offering “student loan relief services,” but in reality only provided services already available to borrowers free of charge online through ED.

The scam charged borrowers a fee of up to \$1,300 to participate in the company’s loan payment reduction programs including loan deferment and income-driven repayment. Borrowers paid the \$1,300 fee through \$39 monthly payments. What the company did not tell borrowers is that its payment reduction programs were already available through ED without charge. In addition, the company did not disclose to borrowers that the \$39 monthly payments were neither a subscription service nor payments applied towards their federal student loans, but instead only payments on a high interest loan. The borrowers were obligated to continue making these high interest loan payments even if they attempted to cancel the company’s services.

In order to facilitate the scam, the defendants used the Federal Student Aid website to illegally access student borrower records housed in computer systems belonging to ED. The complaint alleges that this conduct — including accessing and altering data, and creating new student borrower accounts while posing as the borrower — violated California’s computer crime laws.

Further, the company attempted to sell its business model to investors by misrepresenting the nature of the business and its profitability. They franchised the business, enticing individuals to invest more than \$2.5 million. All of the investors’ businesses failed within months.

The arrests and charges are the result of an investigation by the California Department of Justice’s Consumer Law Section and Division of Law Enforcement, Special Investigations Team with assistance from the Office of the Inspector General for the U.S. Department of Education and the U.S. Postal Inspection Service.

It is important to note that a criminal complaint contains charges that are only allegations against a person. Every defendant is presumed innocent until proven guilty.

Consumers who wish to file a complaint may do so at <http://www.oag.ca.gov/report>.

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OFFICE OF THE ATTORNEY GENERAL**